

Purohit - 19

THE
ECONOMIC HISTORY
OF
INDIA

UNDER EARLY BRITISH RULE

1757-1837 see p. 2

FROM THE RISE OF THE BRITISH POWER IN 1757 TO THE
ACCESSION OF QUEEN VICTORIA IN 1837

BY

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SIXTH EDITION

DD 319 ed by
Dr. V. K. ROHIT
MANKIND, 1910

LONDON

KEGAN PAUL, TRENCH, TRUBNER & CO. L^{TD}
BROADWAY HOUSE, 68-74 CARTER LANE, E.C.

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PREFACE

EXCELLENT works on the military and political transactions of the British in India have been written by eminent historians. No history of the people of India, of their trades, industries, and agriculture, and of their economic condition under British administration, has yet been compiled.

Recent famines in India have attracted attention to this very important subject, and there is a general and widespread desire to understand the condition of the Indian people—the sources of their wealth and the causes of their poverty. A brief Economic History of British India is therefore needed at the present time.

Englishmen can look back on their work in India, if not with unalloyed satisfaction, at least with some legitimate pride. They have conferred on the people of India what is the greatest human blessing—Peace. They have introduced Western Education, bringing an ancient and civilised nation in touch with modern thought, modern sciences, modern institutions and life. They have built up an Administration which, though it requires reform with the progress of the times, is yet strong and efficacious. They have framed wise laws, and have established Courts of Justice, the purity of which is as absolute as in any country on the face of the earth. These are results which no honest critic of British work in India regards without high admiration.

On the other hand, no open-minded Englishman contemplates the material condition of the people of

India under British rule with equal satisfaction. The poverty of the Indian population at the present day is unparalleled in any civilised country; the famines which have desolated India within the last quarter of the nineteenth century are unexampled in their extent and intensity in the history of ancient or modern times. By a moderate calculation, the famines of 1877 and 1878, of 1889 and 1892, of 1897 and 1900, have carried off fifteen millions of people. The population of a faired-sized European country has been swept away from India within twenty-five years. A population equal to half of that of England has perished in India within a period which men and women, still in middle age, can remember.

What are the causes of this intense poverty and these repeated famines in India? Superficial explanations have been offered one after another, and have been rejected on close examination. It was said that the population increased rapidly in India, and that such increase must necessarily lead to famines; it is found on inquiry that the population has never increased in India at the rate of England, and that during the last ten years it has altogether ceased to increase. It was said that the Indian cultivators were careless and improvident, and that those who did not know how to save when there was plenty, must perish when there was want; but it is known to men who have lived all their lives among these cultivators, that there is not a more abstemious, a more thrifty, a more frugal race of peasantry on earth. It was said that the Indian money-lender was the bane of India, and by his fraud and extortion kept the tillers of the soil in a chronic state of indebtedness; but the inquiries of the latest Famine Commission have revealed that the cultivators of India are forced under the thralldom of money-lenders by the rigidity of the Government revenue demand. It

was said that in a country where the people depended almost entirely on their crops, they must starve when the crops failed in years of drought; but the crops in India, as a whole, have never failed, there has never been a single year when the food supply of the country was insufficient for the people, and there must be something wrong, when failure in a single province brings on a famine, and the people are unable to buy their supplies from neighbouring provinces rich in harvests.

Deep down under all these superficial explanations we must seek for the true causes of Indian poverty and Indian famines. The economic laws which operate in India are the same as in other countries of the world; the causes which lead to wealth among other nations lead to prosperity in India; the causes which impoverish other nations impoverish the people of India. Therefore, the line of inquiry which the economist will pursue in respect of India is the same which he adopts in inquiring into the wealth or poverty of other nations. Does agriculture flourish? Are industries and manufactures in a prosperous condition? Are the finances properly administered, so as to bring back to the people an adequate return for the taxes paid by them? Are the sources of national wealth widened by a Government anxious for the material welfare of the people? These are questions which the average Englishman asks himself when inquiring into the economic condition of any country in the world; these are questions which he will ask himself in order to ascertain the truth about India.

It is, unfortunately, a fact which no well-informed Indian official will ignore, that, in many ways, the sources of national wealth in India have been narrowed under British rule. India in the eighteenth century was a great manufacturing as well as a great

agricultural country, and the products of the Indian loom supplied the markets of Asia and of Europe. It is, unfortunately, true that the East Indian Company and the British Parliament, following the selfish commercial policy of a hundred years ago, discouraged Indian manufacturers in the early years of British rule in order to encourage the rising manufactures of England. Their fixed policy, pursued during the last decades of the eighteenth century and the first decades of the nineteenth, was to make India subservient to the industries of Great Britain, and to make the Indian people grow raw produce only, in order to supply material for the looms and manufactories of Great Britain. This policy was pursued with unwavering resolution and with fatal success; orders were sent out, to force Indian artisans to work in the Company's factories; commercial residents were legally vested with extensive powers over villages and communities of Indian weavers; prohibitive tariffs excluded Indian silk and cotton goods from England; English goods were admitted into India free of duty or on payment of a nominal duty.

The British manufacturer, in the words of the historian, H. H. Wilson, "employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms;" millions of Indian artisans lost their earnings; the population of India lost one great source of their wealth. It is a painful episode in the history of British rule in India; but it is a story which has to be told to explain the economic condition of the Indian people, and their present helpless dependence on agriculture. The invention of the power-loom in Europe completed the decline of the Indian industries; and when in recent years the power-loom was set up in India, England once more acted towards India with unfair jealousy. An excise duty has been imposed on

the production of cotton fabrics in India which disables the Indian manufacturer from competing with the manufacturer of Japan and China, and which stifles the new steam-mills of India.

Agriculture is now virtually the only remaining source of national wealth in India, and four-fifths of the Indian people depend on agriculture. But the Land Tax levied by the British Government is not only excessive, but, what is worse, it is fluctuating and uncertain in many provinces. In England, the Land Tax was between one shilling and four shillings in the pound, i.e., between 5 and 20 per cent. of the rental, during a hundred years before 1798, when it was made perpetual and redeemable by William Pitt. In Bengal the Land Tax was fixed at over 90 per cent. of the rental, and in Northern India at over 80 per cent. of the rental, between 1793 and 1822. It is true that the British Government only followed the precedent of the previous Mahomedan rulers, who also claimed an enormous Land Tax. But the difference was this, that what the Mahomedan rulers claimed they could never fully realise; what the British rulers claimed they realised with rigour. The last Mahomedan ruler of Bengal, in the last year of his administration (1764), realised a land revenue of £817,553; within thirty years the British rulers realised a land revenue of £2,680,000 in the same Province. In 1802 the Nawab of Oudh ceded Allahabad and some other rich districts in Northern India to the British Government. The land revenue which had been claimed by the Nawab in these ceded districts was £1,352,347; the land revenue which was claimed by the British rulers within three years of the cession was £1,682,306. In Madras, the Land Tax first imposed by the East India Company was one-half the gross produce of the land! In Bombay, the land revenue of the territory conquered from the Mahrattas in 1817 was £800,000 in

the year of the conquest; it was raised to £1,500,000 within a few years of British rule; and it has been continuously raised since. "No Native Prince demands the rent which we do," wrote Bishop Heber in 1826, after travelling all through India, and visiting British and Native States. "A Land Tax like that which now exists in India," wrote Colonel Briggs in 1830, "professing to absorb the whole of the landlord's rent, was never known under any Government in Europe or Asia."

The people of Bengal and of Northern India gradually obtained some relief from the heavy land assessment of the early years of British rule. In Bengal the assessment was made permanent; and as it has not been raised with the extension of cultivation, it now bears (including Road and Public Work cesses, which have been since imposed on the rental) a ratio of about 35 per cent. on the rental. In Northern India the assessment was not made permanent, but it was reduced to slightly over 50 per cent., including all cesses, in 1855. But new cesses were added; calculations were made, not on the current, but on the prospective rental, until the tax rose to close upon 60 per cent. on the rental.

In Madras and Bombay things are worse. There the Land Tax is paid generally by the cultivators of the soil, there being, in most parts of those provinces, no intervening landlords. The British Government declared its intention in 1864 of realising as Land Tax about one-half of the economic rent. But what the British Government does take as Land Tax at the present day sometimes approximates to the whole of the economic rent, leaving the cultivators little beyond the wages of their labour and the profits of their agricultural stock. The Land Tax is revised once every thirty years; the cultivator does not know on what grounds it is enhanced; he has to submit to each

renewed assessment, or to leave his ancestral fields and perish. This uncertainty of the Land Tax paralyzes agriculture, prevents saving, and keeps the tiller of the soil in a state of poverty and indebtedness.

It will appear from the facts stated above that the Land Tax in India is not only heavy and uncertain, but that the very principle on which it is raised is different from the principle of taxation in all well-administered countries. In such countries the State promotes the accumulation of wealth, helps the people to put money into their pockets, likes to see them prosperous and rich, and then demands a small share of their earnings for the expenses of the State. In India the State virtually interferes with the accumulation of wealth from the soil, intercepts the incomes and gains of the tillers, and generally adds to its land revenue demand at each recurring settlement, leaving the cultivators permanently poor. In England, in Germany, in the United States, in France and other countries, the State widens the income of the people, extends their markets, opens out new sources of wealth, identifies itself with the nation, grows richer with the nation. In India, the State has fostered no new industries and revived no old industries for the people; on the other hand, it intervenes at each recurring land settlement to take what it considers its share out of the produce of the soil. Each new settlement in Bombay and in Madras is regarded by the people as a wrangle between them and the State as to how much the former will keep and how much the latter will take. It is a wrangle decided without any clear limits fixed by the law—a wrangle in which the opinion of the revenue officials is final, and there is no appeal to judges or Land Courts. The revenue increases and the people remain destitute.

Taxation raised by a king, says the Indian poet, is like the moisture of the earth sucked up by the

sun, to be returned to the earth as fertilising rain; but the moisture raised from the Indian soil now descends as fertilising rain largely on other lands, not on India. Every nation reasonably expects that the proceeds of taxes raised in the country should be mainly spent in the country. Under the worst governments that India had in former times, this was the case. The vast sums which Afghan and Moghal Emperors spent on their armies went to support great and princely houses, as well as hundreds of thousands of soldiers and their families. The gorgeous palaces and monuments they built, as well as the luxuries and displays in which they indulged, fed and encouraged the manufacturers and artisans of India. Nobles and Commanders of the army, Subadars, Dewans, and Kazis, and a host of inferior officers in every province and every district, followed the example of the Court; and mosques and temples, roads, canals and reservoirs, attested to their wide liberality, or even to their vanity. Under wise rulers, as under foolish kings, the proceeds of taxation flowed back to the people and fructified their trade and industries.

But a change came over India under the rule of the East India Company. They considered India as a vast estate or plantation, the profits of which were to be withdrawn from India and deposited in Europe. They reserved all the high appointments in India for their own nominees seeking a lucrative career in the East. They bought their merchandise out of the revenues of India, and sold it in Europe for their own profit. They vigorously exacted from India a high interest on their stock-in-trade. In one shape or another all that could be raised in India by an excessive taxation flowed to Europe, after paying for a starved administration.

The East India Company's trade was abolished

in 1833, and the Company was abolished in 1858, but their policy remains. Their capital was paid off by loans which were made into an Indian Debt, on which interest is paid from Indian taxes. The empire was transferred from the Company to the Crown, but the people of India paid the purchase-money. The Indian Debt, which was £51,000,000 in 1857, rose to £97,000,000 in 1862. Within the forty years of peace which have succeeded, the Indian Debt has increased continuously, and now (1901) amounts to £200,000,000. The "Home Charges" remitted annually out of the Indian revenues to Great Britain have increased to sixteen millions. The pay of European officers in India, virtually monopolising all the higher services, comes to ten millions. One-half of the nett revenues of India, which are now forty-four millions sterling, flows annually out of India. Verily the moisture of India blesses and fertilises other lands.

For one who has himself spent the best and happiest years of his life in the work of Indian administration, it is an ungracious and a painful task to dwell on the weak side of that administration, the financial and economic policy of the Indian Government. I have undertaken this duty because at the present moment the economic story of British India has to be told, and the deep-seated cause of the poverty of the Indian people has to be explained. Place any other country under the same condition, with crippled industries, with agriculture subject to a heavy and uncertain Land Tax, and with financial arrangements requiring one-half of its revenues to be annually remitted out of the country, and the most prosperous nation on earth will soon know the horrors of famine. A nation prospers if the sources of its wealth are widened, and if the proceeds of taxation are spent among the people, and for the

people. A nation is impoverished if the sources of its wealth are narrowed, and the proceeds of taxation are largely remitted out of the country. These are plain, self-evident economic laws, which operate in India, as in every other country, and the Indian statesman and administrator must feel that the poverty of India cannot be removed until Indian industries are revived, until a fixed and intelligible limit is placed on the Indian Land Tax, and until the Indian revenues are more largely spent in India.

The statesman and administrator in India labours under peculiar difficulties. Three successive Governors-General, Lord Wellesley, Lord Minto, and Lord Hastings, desired to place a permanent limit to the Land Tax of India, but the East India Company overruled them, and would consent to no limit to their demands. Three Viceroys under the Crown, Lord Canning, Lord Lawrence, and Lord Ripon, pressed again for some limitation of the Land Tax, but the Secretary of State for India rejected their proposals. Three times within the present generation have the Indian tariffs been altered, under the dictation of British manufacturers, against the interests of India, and sometimes against the opinions of the majority of the Viceroy's Council. Three times within this period have endeavours been made to grant adequate protection to Indian labourers, recruited for the tea-gardens of Assam, who cease to be free men and free women after they have once signed their contracts, sometimes under misapprehension or fraud. The penal laws which chain them to the gardens still remain on the Statute Book, the proposals recently made by the Honourable Mr. Cotton, Chief Commissioner of Assam, to assure them adequate pay, were whittled down in the Viceroy's Council, and their operation was then suspended for two years by Lord Curzon, because British shareholders in the tea con-

cerns objected to them. Administrators in India are helpless on such occasions. Remedial measures, placing equitable limits on the taxes of India, have been vetoed by the Home Authorities, and protective measures needed for the welfare of the people of India have been sacrificed, when they were supposed to touch the interests of any class of capitalists or manufacturers commanding votes in Parliament.

Nor are Indian administrators strong in the support of the Indian people. The Indian Government means the Viceroy and the Members of the Executive Council, viz., the Commander-in-Chief, the Military Member, the Public Works Member, the Finance Member, and the Legal Member. The people are not represented in this Council; their agriculture, their landed interests, their trades and industries, are not represented; there is not, and never has been, a single Indian Member in the Council. All the Members of the Council are heads of spending departments, as was lately explained by Sir Auckland Colvin and Sir David Barbour before the Royal Commission on Indian expenditure. The Members are high English officials, undoubtedly interested in the welfare of the people, but driven by the duties of their office to seek for more money for the working of their departments; there are no Indian Members to represent the interests of the people. The forces are all arrayed on the side of expenditure, there are none on the side of retrenchment. "The tendency is," said Sir David Barbour, "ordinarily for pressure to be put on the Financial Department to incur expenditure. It is practically pressure. The other departments are always pressing to spend more money; their demands are persistent and continuous." There is no counter-pressure to reduce expenditure, to moderate taxation, to safeguard the agricultural interests of the people, to encourage their industries and manufactures. Thus

the constitution of the Indian Government makes an alien rule still more isolated and weak. Every grave question is virtually decided *ex parte*. The Members of the Council are able, wise, experienced, and conscientious men; but the wisest judges will fail to decide cases rightly if they hear the evidence of one party only. And the Indian Government, with every honest desire to do its duty, is unable to secure the material welfare of the people, because it is not in touch with the people, does not accept the co-operation of the people, cannot by its constitution act in the interests of the people.

"The government of a people by itself," said John Stuart Mill, "has a meaning and a reality; but such a thing as government of one people by another does not, and cannot exist. One people may keep another for its own use, a place to make money in, a human cattle-farm to be worked for the profits of its own inhabitants."

There is more truth in this strongly worded statement than appears at first sight. History does not record a single instance of one people ruling another in the interests of the subject nation. Mankind has not yet discovered any method for safeguarding the interests of a subject nation without conceding to that nation some voice in controlling the administration of their own concerns. What is more, such an exclusive and absolute rule does not benefit the ruling nation. England's trade, which is her greatest interest in India, is practically at a standstill during these ten years. The average annual import of merchandise to India (largely but not wholly British) has, during the last ten or twelve years, remained stationary at somewhat under fifty millions sterling. It means a consumption of three shillings per head of the population of India. It might increase to five or six shillings per head if India was prosperous; it is likely to decrease with the poverty

and the famines of India. Thus, British trade, which is a legitimate and invigorating source of wealth both to India and to Great Britain, languishes with the poverty of India; the money drawn from the revenues of India, "without a direct equivalent," as Lord Salisbury described it, impoverishes India; and it does not add to the strength of England or to the freedom of her institutions. The manufacturing, the working, and the progressive capacities of a nation, do not increase by the accession of wealth received "without a direct equivalent." It is with nations as with individuals. The bread which we earn by our labour nourishes and invigorates; the food that we consume without toil is poison to our system. And the history of past times and past nations has been recorded in vain if it does not teach us that large tributes from subject empires have led to luxury and decay in ancient as in modern times.

The Empire of India was won by England before her present colonies rose to importance. And it is possible to conceive, though it may be a heresy to say it in these days, that the Empire of India will last after the British Colonies have ceased to owe allegiance to the British Crown. Colonies have been described as fruits, which ripen only to fall from the parent tree; and he will be a bold prophet who will assert that, with some addition to their present population, power, and resources, Australasia and Canada will remain under the sovereignty of Great Britain, even to the middle of the twentieth century. In India, the people honestly desire a longer connection with Great Britain, not through sentimental loyalty, but, as Lord Dufferin once said, through a sense of self-interest. They still believe that they have much to gain by being in close touch with the West, through the rule of a Western Power. They have cast in their lot with Great Britain; they have identified themselves with British rule; they

honestly desire that rule to last. But they do not desire the administration to last in its present absolute and exclusive form. This form of administration, shaped by Warren Hastings and Cornwallis, and improved by Munro, Elphinstone, and Bentinck, requires some change after seventy years. Education has spread within these seventy years; educated men are a growing power in India. They demand a fair share in the higher services of their own country; they desire to have a voice in the highest Councils of the Empire. It is easy to disregard this demand, to alienate the educated and influential sections of the Indian population, to increase discontent and dissatisfaction in the country, and to weaken the Empire by continuing an exclusive rule. It would be wiser, on the other hand, to array the rising forces on the side of the Government, to make educated and influential men in India partakers in the control of the administration, to make them represent their own interests, industries, and agriculture, and to make them responsible for improving the material condition of their countrymen and the prevention of famines. To quote once more from John Stuart Mill: "It is an inherent condition of human affairs that no intention, however sincere, of protecting the interests of others, can make it safe or salutary to tie up their own hands. By their own hands only can any positive and durable improvement of their circumstances in life be worked out."

The people of India are not fond of sudden changes and revolutions. They do not ask for new constitutions, issuing like armed Minervas from the heads of legislative Jupiters. They prefer to work on lines which have already been laid down. They desire to strengthen the present Government, and to bring it more in touch with the people. They desire to see some Indian members in the Secretary of State's Council, and in the Viceroy's Executive Council, repre-

senting Indian agriculture and industries. They wish to see Indian members in an Executive Council for each Province. They wish to represent the interests of the people in the discussion of every important administrative question. They seek that the administration of the Empire and its great provinces should be conducted with the co-operation of the people.

There is a Legislative Council in each large Indian Province, and some of the members of these Councils are elected under the Act of 1892. The experiment has proved a success, and some expansion of these Legislative Councils would strengthen administration and bring it more in touch with the people. Each Indian Province is divided into twenty or thirty or more Districts, corresponding to English counties, and each District has a population of a million or more. The time has come when each District might elect its own member for the Legislative Council of the Province. A Province with thirty Districts and a population of thirty millions may fairly have thirty elected members on its Legislative Council. Each District should feel that it has some voice in the administration of the Province.

The higher services in India, which were theoretically declared open to the people in 1833, in 1853, and by Queen Victoria's famous proclamation of 1858, should be practically opened to the people, and not reserved for English boys seeking a career in the East. In the great Indian Civil Service, as well as in the Education, Engineering, Postal, Telegraph, Police, and Medical departments, Indians should find it possible to obtain high employment. We want Englishmen in all these departments, we welcome them to help us, but we do not wish them to monopolise all the higher services to the virtual exclusion of the children of the soil.

In each Indian District there is a District Officer

who is the head Executive and Police Officer as well as the Magistrate. These duties should now be separated. Administration would be purer, as well as more popular, in India if the Chief Executive and Police Officer ceased to be a Magistrate.

In each Indian District again there is a District Board, and Village Unions are being formed. These Unions are the modern counterparts of those ancient Village Communities which have been described repeatedly in the following pages, and which were self-governing little republics all over India under Hindu and Mahomedan Governments. They have been swept away, somewhat hastily and unwisely, under British rule; but it is possible to revive them under modern conditions with some care and foresight. Some degree of trust and confidence should be reposed in them; some practical and useful work should be entrusted to them. Above all, the whole mass of civil and criminal village disputes should be sent to them, not for adjudication, but for amicable settlement. They could decide and settle such matters better on the spot than our courts at a distance of twenty or thirty miles. Millions of witnesses would thus be saved the trouble and expense of attendance at distant courts; millions of simple villagers would be saved the baneful lessons of litigation and perjury which are learned in law courts. More than this, the Village Unions and their members would form a link between the people and the rulers, which does not at present exist.

These are a few of the measures which could wisely be adopted to bring the Indian Government more in touch with the people, and to make it more popular and more efficacious for the good of the people. Isolation does not strengthen the Empire; it leads to ill-judged, unwise, and hasty measures of legislation, and spreads dissatisfaction and discontent among the people. It leads to sudden and bewildering changes

in the policy of the Indian Government as a result of party government in Great Britain. It leads to increasing expenditure, and not to retrenchment, which can only be secured, as it has been secured in other countries, through the watchfulness of those who pay the taxes. It renders the administration incapable of improving the economic condition of the people, which can be improved only through the co-operation of the people themselves. It alienates the best educated, the most moderate, and the most influential sections of the Indian people, instead of making them partakers in the work of administration and responsible for the welfare of their countrymen. It impoverishes the nation and weakens the Empire.

The wisest administrators in the past, like Munro, Elphinstone, and Bentinck, whose work has been narrated in the following pages, sought to promote the welfare of the people by accepting the co-operation of the people, as far as was possible, in their day. What is needed to-day is a continuance and development of the same policy, not a policy of exclusiveness and distrust. What is needed to-day is that British rulers, who know less of India to-day than their predecessors did fifty years ago, should descend from their dizzy isolation, and should stand amidst the people, work with the people, make the people their comrades and collaborators, and hold the people responsible for good administration. The co-operation of the people is essential to successful administration in every civilised country; the co-operation of the people is more needful in India than anywhere else on earth.

The dawn of a new century finds India deeper in distress and discontent than any preceding period of history. A famine, wider in the extent of country affected than any previous famine, has desolated the country. In parts of India, not affected by this famine, large classes of people attest to semi-starvation by their poor phy-

sique; numbers of them suffer from a daily insufficiency of food; and the poorer classes are trained by life-long hunger to live on less food than is needed for proper nourishment. In the presence of facts like these, party controversy is silenced; and every Englishman and every Indian, experienced in administration and faithful to the British Empire, feel it their duty to suggest methods for the removal of the gravest danger which has ever threatened the Empire of India.

ROMESH DUTT.

LONDON, December 1901.

PREFACE TO THE SECOND EDITION

A FEW alterations and corrections have been made in preparing this second edition; and some subjects, which have been dealt with in *India in the Victorian Age*, have been omitted in the present work. The two works, taken together, cover the entire period of British rule in India,—from the battle of Plassy in 1757 to the commencement of the present century and the present reign.

ROMESH DUTT.

LONDON, August 1906.

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*To be reviewed
and sent to Press
for M.K.Y.*